



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 05, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Bank Of Kansas, National Association
Charter Number 3509**

**300 North Main
Kingman, KS 67068**

**Comptroller of the Currency
Assistant Deputy Comptroller C. Scott Schainost
Wichita Field Office
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

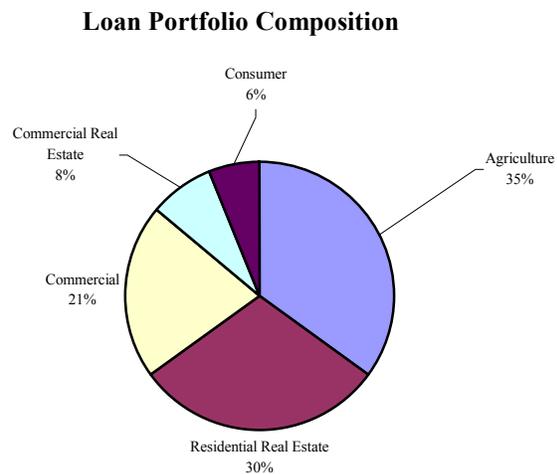
- The Citizens National Bank's quarterly average loan-to-deposit ratio of 91% is good compared to peer banks in the assessment areas.
- The bank's record of lending inside its assessment areas is satisfactory. The bank extended 67% of the number and 90% of the dollar volume of loans to borrowers in the assessment area.
- The bank's lending to borrowers of different incomes and farms and businesses of different sizes within the assessment areas is good. Lending performance in the Wichita MSA, Kingman, and Winfield assessment areas is good.
- The geographic distribution of loans is adequate. The loan distribution to low- and moderate-income tracts in the Wichita MSA assessment area is adequate. Although the examiners' sample did not contain any loans granted in the low-income tract, examiners consider the bank's performance acceptable due to limited opportunity to provide the sampled loan products in the low-income tract.

DESCRIPTION OF INSTITUTION

Citizens Bank of Kansas, National Association (Citizens Bank), is a \$143 million bank headquartered in Kingman, Kansas. In addition to its main office, Citizens Bank has a branch in Anthony, Atlanta, Pretty Prairie, Sylvia, Turon, Wichita, and Winfield. Citizens Bank operates a drive-up facility and a deposit-taking automated teller machine (ATM) at the main office, Wichita branch, and Winfield branch. Citizens Bank also operates a fourth deposit-taking ATM at the Pretty Prairie branch. The Wichita and Pretty Prairie branches are the only branches opened since the previous CRA examination. Citizens Bank has not closed any branches since that examination.

Citizens Bank is a wholly owned subsidiary of King Bancshares, Inc., a one-bank holding company headquartered in Kingman. On September 30, 2002, the holding company had total assets of \$16 million. The bank's only affiliate is Western Credit, Inc., another wholly owned subsidiary of the holding company. Citizens Bank's corporate structure has not changed since the previous CRA examination.

Citizens Bank is a full service bank offering a variety of loans. On September 30, 2002, net loans represented 70% of the bank's total assets. Citizens Bank's \$101 million loan portfolio has the following composition: agriculture 35%; residential real estate 30%; commercial and industrial 21%; commercial real estate 8%; and consumer 6%. Citizens Bank has not changed any existing loan products, or offered any new products since the previous CRA examination. Examiners determined the bank's primary loan products based on the number and the dollar volume granted since the previous CRA examination. The primary loan products vary among the bank's assessment areas (AA) as follows: Wichita MSA AA, commercial real estate and consumer loans; Kingman AA, agricultural and consumer loans; and Winfield AA, residential real estate and consumer loans.



Citizens Bank's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment areas. At the March 9, 1998, CRA examination examiners assigned an "Outstanding" rating.

DESCRIPTION OF ASSESSMENT AREA

Citizens Bank has three assessment areas (AA), which are Wichita, Kingman, and Winfield, Kansas. The Wichita AA is part of the Wichita Metropolitan Statistical Area (MSA). The Kingman AA and Winfield AA are non-MSAs. The Kingman AA is comprised of Kingman County and parts of Reno County and Harper County. The Winfield AA is comprised of parts of Cowley County. The AAs comply with the regulation and do not arbitrarily exclude any low- or moderate-income areas.

Wichita MSA AA

The Wichita AA contains 13 census tracts, which include 18 – 22, 43, 71, 72.02, 73.01, 73.02, 74, 76, and 101.01. Of the 13 census tracts, 8% are low-income tracts, 8% are moderate-income tracts, 15% are middle-income tracts, and 69% are upper-income tracts. The 1990 US census data shows the AA has a population of 54,154. The 1990 decennial median family income in the MSA is \$35,931, and the median family income for 2002 is \$59,000. The AA has the following income distribution for families:

Distribution of Family Income in Wichita Assessment Area	
Income Level	Percentage
Low-income Families	11
Moderate-income Families	12
Middle-income Families	20
Upper-income Families	57

Seven percent of the households have income below the poverty level, 21% receive social security, and 3% are on public assistance. Twenty-two percent of the population is not in the work force and 12% are over the age of 65. The median housing value is \$88,345 and 50% of the housing units are owner-occupied.

Citizens Bank faces strong competition in the Wichita MSA. Thirty other banks and several savings and loans, credit union associations, and other financial institutions have offices in the Wichita MSA. These institutions’ assets range from \$111 million to \$2.5 billion. Citizens Bank has .11% of the deposit market share.

The AA has a strong manufacturing base, which is dominated by the following four major aircraft companies: Boeing, Cessna, Raytheon, and Bombardier-Learjet. The local economy has been adversely affected by layoffs at these aircraft companies. However, other major employers in the area, such as Via Christi Regional Medical Center, Wesley Medical Center, Unified School District 259, Vulcan Chemicals, and several retail services help provide employment diversity and stability. The October 2002 unemployment rate for the Wichita MSA is 5.9%, compared with 5.7% nationwide.

Examiners reviewed two recent contacts with economic development professionals. The contacts identified consumer loans and commercial real estate loans as two of the area’s primary credit needs. The contacts also indicated the banks in the area are meeting these needs.

Kingman AA

The Kingman AA contains seven middle-income block numbering areas (BNA), which include 17, 18, 9911 – 9913, 9916, and 9918. The AA does not contain any low-, moderate-, or upper-income BNAs. The 1990 US census data shows the AA has a population of 18,214. The Kansas statewide median family income for 2002 is \$44,200. The AA has the following income distribution for families:

Distribution of Family Income in Kingman Assessment Area	
Income Level	Percentage
Low-income Families	18
Moderate-income Families	18
Middle-income Families	28
Upper-income Families	36

Thirteen percent of the households have income below the poverty level, 39% receive social security, and 5% are on public assistance. Thirty-one percent of the population is not in the work force and 21% are over the age of 65. The median housing value is \$31,056 and 66% of the housing units are owner-occupied.

Seventeen other banks and several financial institutions, which are located in the three counties that make up Kingman AA, provide competition. These institutions’ assets range from \$11 million to \$143 million. Citizens Bank has seven percent of the deposit market share.

The AA has a strong agricultural production with some oil and gas production. An increasing number of the area’s residents work for the aircraft companies in Wichita. The major employers in the AA are Polymer Group, Inc., Kingman Area Hospital, and Unified School District 331. The Kansas unemployment rate for October 2002 is 4.6%.

Examiners contacted one community economic developing professional. The contact indicated the credit needs of the community included agricultural and general consumer loans. The contact did not reveal any unmet credit needs of the community.

Winfield AA

The Winfield AA contains six BNAs, which include 9931 – 9936. Eighty-three percent of the BNAs are middle-income and 17% are upper-income BNAs. The AA does not contain any low- or moderate-income BNAs. The 1990 US census data shows the AA has a population of 20,307. The Kansas statewide median family income for 2002 is \$44,200. The AA has the following income distribution for families:

Distribution of Family Income in Winfield Assessment Area
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Income Level	Percentage
Low-income Families	15
Moderate-income Families	17
Middle-income Families	23
Upper-income Families	45

Eleven percent of the households have income below the poverty level, 32% receive social security, and 5% are on public assistance. Twenty-nine percent of the population is not in the work force and 16% are over the age of 65. The median housing value is \$37,551 and 65% of the housing units are owner-occupied.

Citizens Bank faces strong competition from seven other banks and several other financial institutions in the area with assets ranging from \$7 million to \$183 million. Citizens Bank has five percent of the deposit market share.

The economy of the Winfield AA is diverse and stable. Major employers include General Electric, Rubbermaid, Southwestern College, Cowley County Community College, Winfield Correctional Facility, and Unified School District 465. The Kansas unemployment rate for October 2002 is 4.6%.

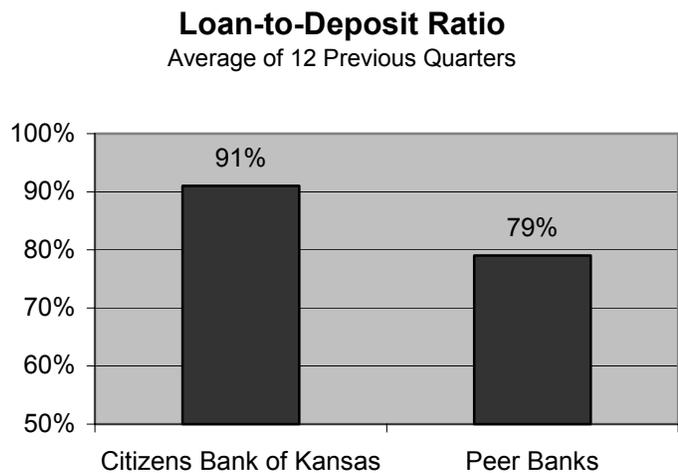
Examiners reviewed one recent contact of an economic development professional in the area. The contact identified consumer loans and residential real estate loans as two of the area's primary credit needs. The contact also indicated the banks in the area are meeting these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is good. The quarterly average loan-to-deposit ratio over the past twelve quarters ending June 30, 2002, is 91%, well above the average ratio for peer banks. Examiners selected a group of 15 peer banks, which derive the majority of their deposits from the bank's AAs, and calculated their quarterly average loan-to-deposit ratios. The quarterly average loan-to-deposit ratio, over the same time period, for the peer banks is 79%. The quarterly average loan-to-deposit ratios ranged from 35% to 101%.

Lending in Assessment Area



Citizens Bank’s lending in its AAs is satisfactory as it extends a majority of its primary loan products in the AA. To determine the level of lending in the AAs, examiners selected a sample of loans from each of the bank’s AAs. The sample included 32 commercial real estate and 45 consumer loans from the Wichita AA, 20 agricultural and 20 consumer loans from the Kingman AA, and 20 residential real estate and 20 consumer loans from the Winfield AA. The table below depicts the bank’s lending in the AAs:

Percentage of Sample Loans Granted Within the Assessment Areas	
Percentage by Number	Percentage by Dollar
67	90

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to borrowers of different incomes and farms and businesses of different sizes is good. Examiners utilized the sample of loans used to determine Citizens Bank’s level of lending in its AA when evaluating the banks performance in this area. These products were determined to be the primary lending products granted since the last CRA examination.

Wichita AA

Citizens Bank’s lending to businesses of different sizes and to consumer borrowers of different income levels in the Wichita AA is good. Examiners selected a sample of commercial real estate and consumer loans originated from March 9, 1998, to November 30, 2002. Lending to small businesses is satisfactory and lending to low- and moderate-income borrowers is excellent.

Citizens Bank’s lending to different business sizes is satisfactory. The following table indicates the bank extended 75% of loans to small businesses. This is slightly lower than 2001 Dunn & Bradstreet data that shows 83% of businesses in the AA have annual gross revenues of less than \$1 million.

Sample of Commercial Real Estate Loans Granted in Wichita AA		
Annual Gross Revenue	Percentage of Number	Percentage of Dollar
Less than \$100,000	17	6
\$100,001 - \$250,000	25	21
\$250,001 - \$500,000	33	49
\$500,001 - \$1,000,000	0	0
Over \$1,000,00	25	24
Total	100	100

Citizens Bank’s lending to consumer borrowers of different income levels in the Wichita AA is

excellent. Lending to low-income borrowers is excellent as is lending to borrowers with moderate-incomes. The bank does not consistently collect income information on consumer loans; therefore loan size was used as a proxy for income. Assumptions that borrowers of low-income levels receive consumer loans of \$6,000 or less, and moderate-income borrowers receive consumer loans between \$6,001 and \$12,000 were used to determine the bank's performance in this lending area. Using these assumptions, 40% of the bank's consumer loans were extended to borrowers of low-incomes and 50% of the bank's consumer loans were extended to moderate-income borrowers. This compares favorably to demographic data that shows 17% of homes in the AA have low-incomes and 14% of homes have moderate-incomes.

Kingman AA

Citizens Bank's lending to farms of different sizes and to consumer borrowers of different income levels in the Kingman AA is good. Examiners selected a sample of agricultural and consumer loans originated from March 9, 1998, to November 30, 2002. The bank's lending to farms is satisfactory and lending to consumer borrowers is excellent.

Citizens Bank's lending to farms of different income levels is satisfactory. The table below indicates the bank extended 90% of agricultural loans to farms with less than \$1 million in annual gross revenues. Dunn & Bradstreet's 2001 data shows 98% of farms in the AA have annual gross revenues of less than \$1 million.

Sample of Agricultural Loans Granted in Kingman AA		
Annual Gross Revenue	Percentage of Number	Percentage of Dollar
Less than \$100,000	45	18
\$100,001 - \$250,000	20	12
\$250,001 - \$500,000	15	25
\$500,001 - \$1,000,000	10	11
Over \$1,000,000	10	34
Total	100	100

Citizens Bank's lending to consumer borrowers of different income levels in the Kingman AA is excellent. Lending to low-income borrowers is excellent as is lending to borrowers with moderate-incomes. The bank does not consistently collect income information on consumer loans; therefore loan size was used as a proxy for income. The assumptions used in the Wichita AA consumer loan sample were used to determine the bank's performance in the Kingman AA. Using these assumptions, 55% of the bank's consumer loans were extended to borrowers of low-incomes and 30% of the bank's consumer loans were extended moderate-income borrowers. This compares favorably to demographic data that shows 24% of homes in the AA have low-incomes and 17% of homes have moderate-incomes.

Winfield AA

Citizens Bank's lending to residential real estate and consumer borrowers of different income

levels in the Winfield AA is good. Examiners selected a sample of residential real estate and consumer loans originated from March 9, 1998, to November 30, 2002. The bank's lending to residential real estate borrowers is good as is lending to consumer borrowers.

Citizens Bank's lending to residential real estate borrowers of different income levels in the Winfield AA is good. The table below indicates lending to low-income borrowers is excellent and lending to moderate-income borrowers is satisfactory. The bank extended 53% of its residential real estate loans to low- or moderate-income borrowers, which compares favorably to demographic data that shows 32% of families in the AA having low- or moderate-incomes.

Sample of Residential Real Estate Loans Granted in Winfield AA			
Borrower Income Level	Percentage of Number	Percentage of Dollar	Families in Income Category
Low-income	35	17	15
Moderate-income	18	8	17
Middle-income	24	31	23
Upper-income	23	44	45
Total	100	100	100

Citizen Bank's lending to consumer borrowers of different income levels in the Winfield AA is good. The table below indicates lending to low-income borrowers is satisfactory and lending to moderate-income borrowers is excellent. The bank extended 55% of its consumer loans to low- or moderate-income borrowers, which compares favorably to demographic data that show 35% of households in the AA having low- or moderate-incomes.

Sample of Consumer Loans Granted in Winfield AA			
Borrower Income Level	Percentage of Number	Percentage of Dollar	Households in Income Category
Low-income	20	16	20
Moderate-income	35	52	15
Middle-income	40	24	17
Upper-income	5	8	48
Total	100	100	100

Geographic Distribution of Loans

An analysis of the geographic distribution of loans in the Wichita AA indicates Citizens Bank

has adequate penetration in low- and moderate-income tracts considering the bank’s location and industry competition. Analysis of the geographic distribution of loans in the Kingman and Winfield AAs would not be meaningful, as they do not have any low- or moderate-income tracts.

Examiners reviewed a sample of commercial real estate and consumer loans granted since the last CRA examination. Citizens Bank has established a few lending relationships in the moderate-income tract, however the loan sample did not indicate that any loans were granted to consumer or commercial real estate borrowers in the low-income tract. The Wichita branch of the bank has been open approximately 18 months and has not fully developed lending relationships with borrowers in all of the census tracts in its AA. The low- and moderate-income tracts are located in the downtown region of Wichita, approximately five miles from the branch. Citizens Bank is attempting to capture some of the market in this area, however competition is strong.

Geographic distribution of commercial real estate loans in the Wichita AA is adequate. The following table indicates there is no penetration in the low-income tract. This is considered adequate given the reasons stated above. Penetration in the moderate-income tract is satisfactory.

Sample of Commercial Real Estate Loans Granted in Wichita MSA		
	Low-Income Tract	Moderate-Income Tract
	CT #18	CT #43
Percentage of Number	0	9
Percentage of Dollar	0	20
Percentage of Businesses in AA	7	26

Geographic distribution of consumer loan in the Wichita MSA AA is adequate. The following table indicates there is no penetration in the low-income tract. This is considered adequate given the reasons stated above. Penetration in the moderate-income tract is satisfactory.

Sample of Consumer Loans Granted in Wichita MSA		
	Low-Income Tract	Moderate-Income Tract
	CT #18	CT #43
Percentage of Number	0	9
Percentage of Dollar	0	15
Percentage of Households in AA	4	6

Responses to Complaints

Citizens Bank has a good record of responding to consumer complaints in a timely manner.

The bank received three CRA related consumer complaints since the last exam. One complaint was mistakenly directed at Citizens Bank. The other two complaints were factual based and were promptly attended to and resolved by management.

Fair Lending Review

An analysis of 1998, 1999, 2000, 2001, and year-to-date 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.